

Rapala VMC

Company report

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This report is a summary translation of the report “Laiha kalansaalis paranee vielä lähivuosina” published on 7/16/2022 at 10:30 am

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Meager catch will improve in coming years

Result-wise Rapala's H1 report brought no joy and H2 will also remain very modest. In the longer term, earnings growth has clear steps to continue as the journey to reach the full potential of the Rapala brand and the rod & reel category has only started. We cut our 2022 estimates in particular, but also made slight cuts to our estimates for the next few years, as the strategy has progressed in the background. Especially the longer-term expected return remains attractive in a relatively defensive share. Acquisition option also provides support for Rapala's valuation. We revise our target price to EUR 6.5 (previously EUR 7.00) and reiterate our Accumulate recommendation.

Earnings below our expectations in H1 and H2 also looks weak

In the seasonally important H1, Rapala's net sales fell by 7% to EUR 148 million, which was close to our estimate. Comparable EBIT decreased to EUR 15.5 million (26.5 MEUR), falling short of our EUR 18.9 million estimate. Comments concerning the rest of the year were clearly more cautious than our expectations, as customers, especially in North America, have temporarily introduced tight purchasing limits to try to reduce inventories, which were raised by the cold spring and rapidly decelerating fishing boom. Winter sports and ice fishing orders should, however, support the rest of the year to an extent as the strong winter has kept retailers' inventories low. In terms of strategy implementation, it was highly positive that Okuma sales kicked-off quickly and our confidence in its potential for the next few years strengthened. First steps to increase the utilization of the Rapala brand were taken, e.g., by expanding to tackle storage and new launches are expected from the innovation pipeline in 2023-24.

We cut our 2022 estimates considerably

Rapala's guidance is that 2022 comparable EBIT will be below last year's level (32.7 MEUR). The information value of the guidance is low, but based on comments, we expect this year to be weak as sales fall by 5% to EUR 279 million and EBIT (comp.) is only EUR 16.0 million as customers destock. We expect 2023 net sales to rise again by 6% to EUR 294 million and EBIT to EUR 28 million (EBIT 9.5%), as customers' inventory levels normalize and the synergistic growth projects of Rapala's strategy (see [extensive report](#) pp. 26-27) start to bear more fruit. We especially believe that Okuma sales will reach the level of Shimano sales previously distributed by Rapala in the next few years (some 30 MEUR). Our 2025 net sales estimate for Rapala is EUR 324 million and EBIT is EUR 36 million (EBIT 12%). We also cut our dividend estimates, as Rapala's inventories had increased by EUR 40 million to EUR 117 million, tying capital to the balance sheet.

Worth staying on board even though 2022 is weak in challenging conditions

Rapala's 2022e P/E 23x and EV/EBIT 19x are raised in the slump, but 2023e P/E 12x and EV/EBIT 10x are low multiples in a more normal market for a defensive consumer brand company. We believe the acceptable P/E ratio for the company could currently be around 15x and it could be stretched to some 20x in the longer term as confidence towards the company's performance strengthens. To do this the company needs solid six-month periods indicating earnings growth without which the stock lacks upside drivers in the ongoing year.. However, we do not believe you should let the share go even for a moment, as next to strategy implementation there is another potential route for dismantling the value of strong brands as Pure Fishing's owner previously bought a 19.2% share of the company. Sector transactions have taken place at approximately 2x EV/S ratios (Rapala's EV/S now 1.1x).

Recommendation

Accumulate

(previous Accumulate)

EUR 6.50

(previous EUR 7.00)

Share price:

5.77



Key figures

	2021	2022e	2023e	2024e
Revenue	294.3	278.5	294.2	309.8
growth-%	13%	-5%	6%	5%
EBIT adj.	32.7	16.0	27.9	32.4
EBIT-% adj.	11.1 %	5.8 %	9.5 %	10.5 %
Net Income	18.1	7.9	18.0	21.8
EPS (adj.)	0.46	0.25	0.47	0.57

P/E (adj.)	19.1	22.6	12.4	10.2
P/B	2.4	1.6	1.4	1.3
Dividend yield-%	1.7 %	1.7 %	3.5 %	5.2 %
EV/EBIT (adj.)	12.7	19.3	10.4	8.5
EV/EBITDA	9.0	12.0	7.3	6.2
EV/S	1.4	1.1	1.0	0.9

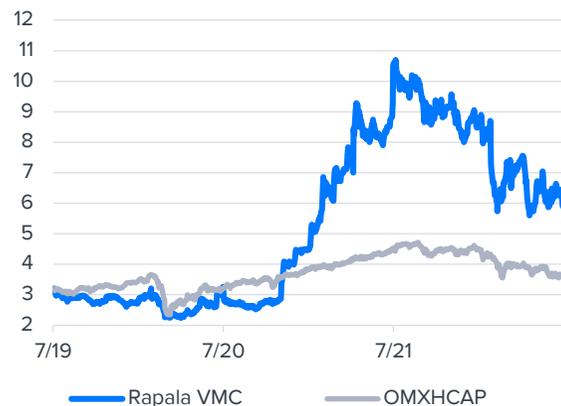
Source: Inderes

Guidance

(Unchanged)

The Group expects 2022 full year comparable operating profit to be below the previous year (32.7 MEUR).

Share price



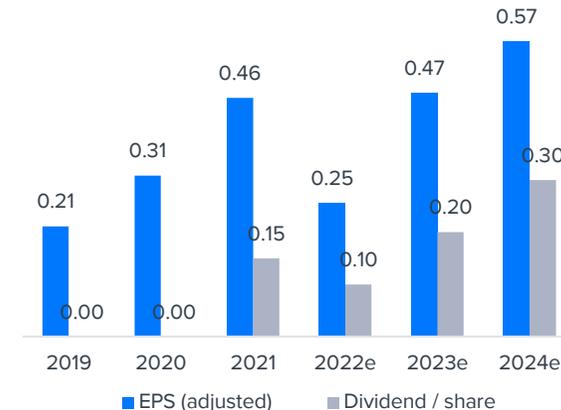
Source: Millstream Market Data AB

Revenue and EBIT %



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Growth in sales of own products and especially the Rapala brand
- New rod and reel category offers synergistic growth potential
- Improving sales mix
- Improving cost efficiency
- Release of capital
- Growth in B2C sales



Risk factors

- Strategy unsuccessful
- High fixed costs
- High seasonal variation and weather dependence of demand
- The Russian attack on Ukraine undermines the operating conditions of the Russian market (2021: 4% of net sales)
- Growth of private labels
- Transition in the retail sector and consolidation on the customer side
- Tighter competition
- Impact of fishing boom slowing down on product demand

Valuation	2022e	2023e	2024e
Share price	5.77	5.77	5.77
Number of shares, millions	38.6	38.6	38.6
Market cap	223	223	223
EV	309	290	275
P/E (adj.)	22.6	12.4	10.2
P/E	28.0	12.4	10.2
P/FCF	neg.	8.9	8.7
P/B	1.6	1.4	1.3
P/S	0.8	0.8	0.7
EV/Sales	1.1	1.0	0.9
EV/EBITDA	12.0	7.3	6.2
EV/EBIT (adj.)	19.3	10.4	8.5
Payout ratio (%)	48.6 %	42.9 %	53.0 %
Dividend yield-%	1.7 %	3.5 %	5.2 %

Lähde: Inderes

Comparable sales and earnings below our expectations

Market conditions were very challenging

In the seasonally important first half of the year, Rapala's net sales fell by 7% to EUR 148 million, which was close to our estimate. However, exchange rate-adjusted sales decreased by 12%, especially as the dollar clearly strengthened against the euro.

The drop in sales was explained by the late start of the open water sport fishing season in the northern hemisphere, which was 4-8 weeks depending on the country. As the pandemic subsided, the recoil from products back to services has also accelerated and the fishing boom that had a strong influence on the comparison period has faded quickly. The Ukrainian war also weakened the company's operating conditions in Russia (2021: Russia 4% of Rapala's sales).

Examined by own product categories, sales were on par with the comparison period at EUR 120.8 million

but decreased by 5 % adjusted for exchange rates.

On the other hand, sales of third-party products decreased by some 30% to EUR 27.6 million, which was partly affected by annulment of some distribution agreements with low profitability in line with the strategy. It should also be noted that Rapala sold the products ordered by its Taiwanese sourcing unit from Asian subcontractors to the US-based 13 Fishing (DQC International). These sales already amounted to some EUR 10 million (2021: 5 MEUR), which is counted as third-party invoicing sales. Without this, third-party sales would have decreased even more.

Result below expectations

Comparable EBIT decreased to EUR 15.5 million (26.5 MEUR), falling short of our EUR 18.9 million estimate. Expenses exceeded our expectations and we believe that this was mainly due to the strengthening of the dollar and thus the increase in

euro-denominated costs in North American operations. Adjusted EPS decreased to EUR 0.27 (estimate: EUR 0.31). Non-recurring items amounted to EUR 1.9 mainly caused by the company currently restructuring its production and distribution operations in Russia and increasing production capacity at the Pärnu factory.

Swelling inventories was the biggest disappointment

As demand fell short of high expectations in the early part of the year, inventories swelled by over EUR 40 million to EUR 117 million, which led to negative operating cash flow of EUR -8.6 million (H1'21: +23 MEUR) and was the biggest disappointment of the report. Despite increased net liabilities, financial expenses decreased to EUR 1.1 million (H1'21: 1.4 MEUR), which was a positive surprise. Rapala's net debt/EBITDA (rolling 12 months) ratio also remained below the financial objective of 3.8x.

Estimates	H1'21	H1'22	H1'22e	H1'22e	Consensus	Difference (%)	2022	
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	160	148	149				0%	279
EBIT (adj.)	26.5	15.5	18.9				-18%	16.0
EBIT	26.3	13.6	18.9				-28%	14.1
EPS (adj.)	0.43	0.27	0.31				-12%	0.25
EPS (reported)	0.42	0.22	0.31				-29%	0.21
Revenue growth-%	36.4 %	-7%	-6.8 %				-0.3 pp	-5.4 %
EBIT-% (adj.)	16.6 %	10.4 %	12.7 %				-2.2 pp	5.8 %

Source: Inderes

We cut our 2022 estimates considerably

Outlook for the rest of the year is challenging

The guidance was reconfirmed as expected and Rapala expects comparable EBIT to be below the previous year's level (2021: 32.7 MEUR). The information value of the guidance is low, as it does not take a position on how much the result will fall.

Comments concerning the rest of the year were also clearly more cautious than our expectations, as retailers, especially in the US, have temporarily introduced tight purchasing limits to reduce their inventories. We believe that retailers have accumulated abundant inventories especially in the reel/rod combos favored by new fishing enthusiasts as the flow of new enthusiasts has dwindled with the fishing boom decelerating and spring being late. Purchasing budgets have also been cut in lures that have more even demand and in other accessories in

an uncertain environment characterized by inflation and falling consumer confidence and purchasing power.

Winter sports and ice fishing orders should support the rest of the year to an extent as the strong winter has kept retailers' inventories low. However, we now expect that in H2'22 Rapala's EBIT (comp.) will be only EUR 0.5 million (H1'21: 6.0 MEUR).

We believe that higher fuel costs will temporarily be negatively visible in the use of recreational fishing boats and thus indirectly in the volume of sport fishing. During the pandemic, many new boats were acquired and they generate long-term demand once the inflation development of fuel relative to consumers' purchasing power moderates.

Longer-term market outlook is more positive

Concerning longer-term outlook, the company stated that the overall market demand for fishing products has started to normalize to the post-pandemic level. However, the Group expects that long-term general fishing equipment demand will remain at a higher level than before the pandemic in the future.

We cut 2023-24 estimates more moderately

We expect 2023 net sales to rise again by 6% to EUR 294 million and EBIT to EUR 28 million (EBIT 9.5%), as customers' inventory levels normalize and the synergistic growth projects of Rapala's strategy start to bear more fruit. Our 2025 net sales estimate for Rapala is EUR 324 million and EBIT is EUR 36 million (EBIT 12%). The progress of the strategy during H1 is briefly discussed on the next page.

Estimate revisions MEUR / EUR	2022	2022	Change	2023e	2023e	Change	2024e	2024e	Change
	Old	New	%	Old	New	%	Old	New	%
Revenue	282	279	-1%	295	294	0%	309	310	0%
EBIT (exc. NRIs)	25.2	16.0	-36%	30.2	27.9	-8%	34.2	32.4	-5%
EBIT	25.2	14.1	-44%	30.2	27.9	-8%	34.2	32.4	-5%
PTP	20.8	11.5	-45%	26.9	25.0	-7%	31.0	29.1	-6%
EPS (excl. NRIs)	0.39	0.25	-34%	0.50	0.47	-7%	0.60	0.57	-6%
DPS	0.20	0.10	-50%	0.30	0.20	-33%	0.35	0.30	-14%

Source: Inderes

Strategy implementation is progressing well

Growth in rod & reel category has progressed well

In terms of strategy implementation, the company says that the Okuma launch in Europe was successful and exceeded internal business objectives in the first six months. We had previously estimated that Okuma sales would reach EUR 15 million in net sales in 2022 and together with 13 Fishing, sales of the category would rise to EUR 22 million this year. Based on the comments, we estimate that the company is progressing at the rate of our estimate, and our estimates for the rod & reel category (graph) are unchanged and confidence toward them strengthened. The company also reported that integration and product development plans with 13 Fishing have progressed, which improves 13 Fishing's spinning reel range and further strengthens Rapala's growing rod & reel category.

Cooperation seems to be working well at the moment with both Okuma and 13 Fishing (DQC). We would not be surprised if this cooperation would deepen further in the next few years. We see clear synergies, especially in integrating Rapala's and Okuma's distribution on a global perspective. It would also make sense to integrate 13 Fishing's US distribution with Rapala's distribution.

Further investments in optimizing inventory levels

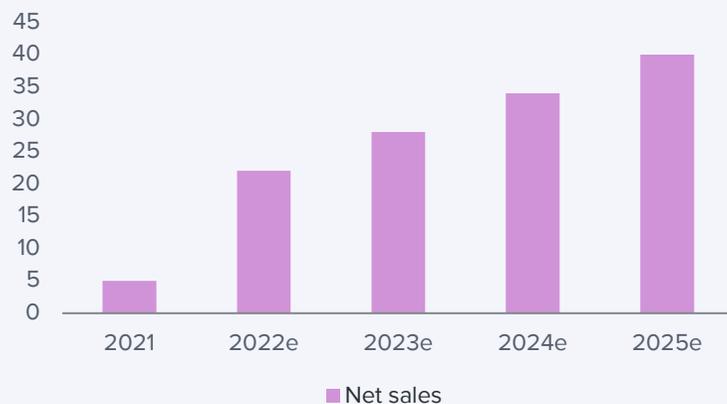
Rapala also signed an agreement in H1'22 on a new global S&OP system, which will be implemented in H2'22 and linked to financial planning. We are positive about the system reform, as it improves the company's visibility and ability to predict future demand from a single global standpoint (previously multiple systems). The company's demand estimates also clearly failed during spring, when consumer behavior changed quickly and from this point of view there is also need for an update.

Pruning product titles and brands is also progressing according to the company and will be completed by the end of 2022. It should also clearly reduce inventory levels in the coming years.

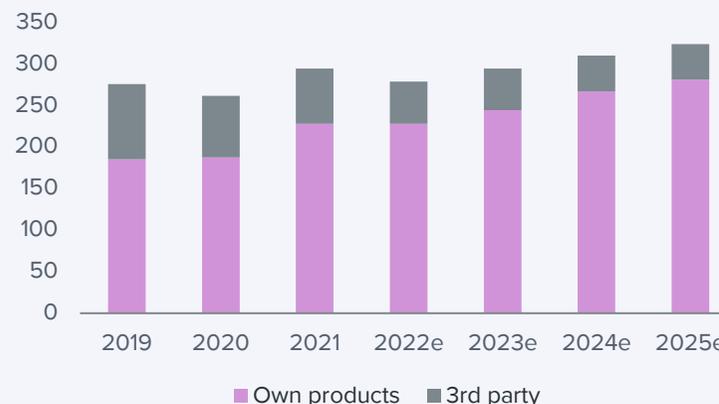
Product development and Rapala brand potential

During H1'22, Rapala launched new product segments, such as tackle storage under the Rapala brand, which was reported to have been a success. Use of the Rapala brand is also extended to other accessories and outside conventional hard lures. The company says that noteworthy new products are coming from the innovation pipeline in 2023-24. Innovation development is long-term work, but we are confident that the investments will bear fruit, because the company has now invested in systematic innovation management completely differently than in the past.

Rod & reel category (MEUR)



Own products and 3rd party (MEUR)



Still on board in the longer term

Next year's multiples are low

Rapala's 2022e P/E 23x and EV/EBIT 19x are high in the slump, but 2023e P/E 12x and EV/EBIT 10x are low multiples in a more normal market for a defensive consumer brand company. Also in relation to the peers, Rapala is priced at a premium on earnings basis with 2022 multiples and in line with the peers with 2023 multiples. We believe that the acceptable level for Rapala is in line with the peers, and thus 2022 multiples are also elevated from this angle.

Rapala's earnings-based valuation is elevated in the 2022 slump also when compared to historical levels, but with 2023 multiples it is already very moderate. Rapala's historical valuation (P/E ratio) has been between 13x and 30x with an average of 17x. (Page 8.)

TSR drivers are positive as a whole

We outline Rapala's EPS drivers if the graph in the sidebar if the company progresses in line with our estimates. The total return on the share in 2022-2025 consists, in the current situation, of a decrease in the 2022 P/E of 23x to inside the 15-20x range we find acceptable for Rapala. This generates a negative TSR driver (-30% -10%).

At the same time, however, the investor will receive a strong annual earnings growth (35% CAGR) and a low dividend yield (2-4%) which will in the longer term more than compensate for the downside we see in the valuation multiples. However, this year the share is lacking decent upward drivers. We do not believe,

however, that the share will fall significantly in the short term either, as the bid option supports the share.

A bid is a positive option for investors

We also remind investors that next to successful implementation of the strategy there is also another potential route for dismantling the value of strong brands as Rapala's competitor (Pure Fishing) previously bought a 19.2% share of the company. In this scenario the starting point for the value of the bid would still in our opinion be the level of transactions in the sector, i.e. approximately EV/S 2x, which means some EUR 14 per share.

We also take the opportunity to state that we have no visibility into whether the main owner VMC is willing to sell the company. Pure Fishing recently acquired Rapala's competitor the Danish Svendsen Sport which at least indicates that the buyer is very active.

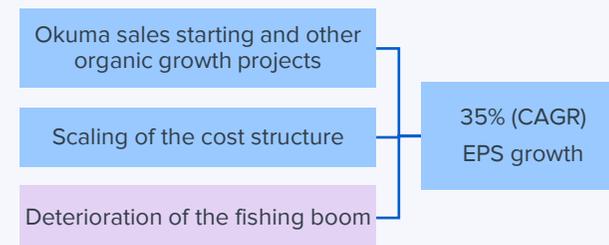
DCF indicates an upside in the longer term

Our DCF model indicates a value of EUR 8.6 per share. It also indicates a clear upside in the share even though it is sensitive to assumptions. DCF depicts a situation where the company's earnings level is sustainably raised in terms of EBIT to 12.0% which is the profitability we estimate after 2025 (2021: 11.1%). The cost of equity we use for Rapala is 9.3% and the weighted average cost of capital WACC-% is 7.8%.

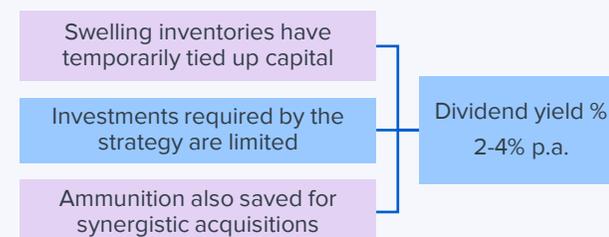
TSR drivers 2022-2025

■ Positive ■ Neutral ■ Negative

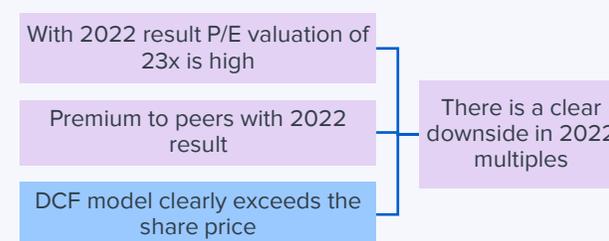
Profit drivers



Dividend yield drivers



Valuation multiple drivers

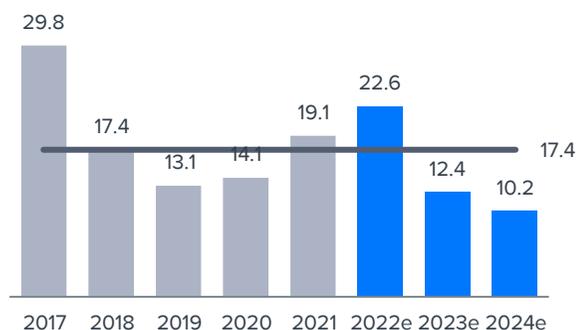


Valuation table

Valuation	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e
Share price	3.45	3.05	2.77	4.36	8.72	5.77	5.77	5.77	5.77
Number of shares, millions	38.3	38.3	38.3	38.6	38.6	38.6	38.6	38.6	38.6
Market cap	132	117	106	168	337	223	223	223	223
EV	232	216	207	252	415	309	290	275	265
P/E (adj.)	29.8	17.4	13.1	14.1	19.1	22.6	12.4	10.2	9.0
P/E	71.9	24.3	29.6	>100	19.8	28.0	12.4	10.2	9.0
P/FCF	4.9	neg.	11.4	3.3	>100	neg.	8.9	8.7	9.7
P/B	1.0	0.8	0.7	1.2	2.4	1.6	1.4	1.3	1.2
P/S	0.5	0.4	0.4	0.6	1.1	0.8	0.8	0.7	0.7
EV/Sales	0.9	0.8	0.8	1.0	1.4	1.1	1.0	0.9	0.8
EV/EBITDA	14.7	9.7	8.0	10.2	9.0	12.0	7.3	6.2	5.6
EV/EBIT (adj.)	20.2	13.0	11.6	11.7	12.7	19.3	10.4	8.5	7.4
Payout ratio (%)	83.3 %	47.9 %	0.0 %	0.0 %	34.0 %	48.6 %	42.9 %	53.0 %	62.1 %
Dividend yield-%	1.2 %	2.0 %	0.0 %	0.0 %	1.7 %	1.7 %	3.5 %	5.2 %	6.9 %

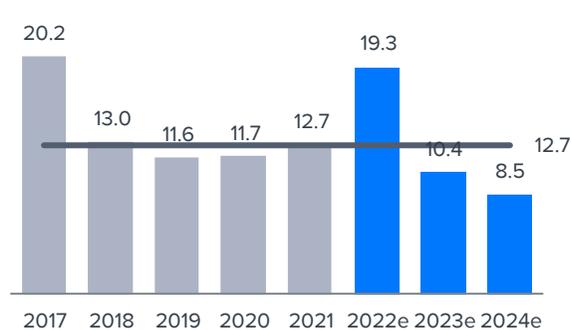
Source: Inderes

P/E (adj.)



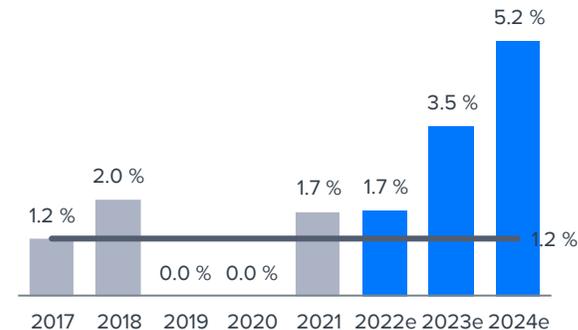
Legend: P/E (adj.) (grey bar), Median 2017 - 2021 (black line)

EV/EBIT



Legend: EV/EBIT (adj.) (grey bar), Median 2017 - 2021 (black line)

Dividend yield%



Legend: Dividend yield-% (grey bar), Median 2017 - 2021 (black line)

Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	MEUR	MEUR	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e
Globeride Inc	372	468							5.5	5.9	2.1	2.8	1.4
Shimano Inc	14336	11833			9.1	8.8	2.8	2.7	17.4	18.1	1.1	1.2	2.9
Fiskars Oyj Abp	1487	1699	10.7	9.8	8.1	7.3	1.4	1.3	10.8	10.2	4.6	5.0	1.7
Fenix Outdoor International AG	3130	3149	72.5	62.1	46.0	40.9	9.6	8.9	16.8	14.5	0.2	0.3	2.8
Deckers Outdoor Corp	7112	6268	14.4	9.7	13.2	9.0	2.5	1.8	17.6	14.7			4.8
Callaway Golf Co	3765	4990	16.0	12.4	9.6	8.0	1.3	1.1	25.3	21.7		0.1	1.1
361 Degrees International Ltd	1043	474	5.2	4.0	5.1	4.0	0.8	0.7	10.0	8.9	2.8	3.5	0.9
Columbia Sportswear Co	4609	3999	9.0	8.6	7.3	7.1	1.2	1.2	12.4	11.1	1.6	1.8	2.3
Mizuno Corp	467	378			1.6	0.6	0.1	0.0	18.3	9.6	2.0	2.5	0.6
Yonex Co Ltd	823	713							18.4	18.1	0.7	0.8	2.4
Mips AB	1059	1015	36.9	29.2	35.7	28.3	19.3	15.3	34.2	27.4	1.5	1.9	14.5
Rapala VMC (Inderes)	223	309	19.3	10.4	12.0	7.3	1.1	1.0	22.6	12.4	1.7	3.5	1.6
Average			23.5	19.4	15.1	12.7	4.3	3.7	16.7	14.0	1.8	2.0	3.2
Median			14.4	9.8	9.1	8.0	1.4	1.3	17.1	12.8	1.6	1.8	2.3
Diff-% to median			35%	6%	33%	-8%	-18%	-22%	32%	-3%	8%	88%	-30%

Source: Refinitiv / Inderes. NB: The market cap Inderes uses does not consider own shares held by the company.

Income statement

Income statement	H1'20	H2'20	2020	H1'21	H2'21	2021	H1'22	H2'22e	2022e	2023e	2024e	2025e
Revenue	117	144	261	160	135	294	148	130	279	294	310	324
Group's own products	78.3	109	188	121	107	228	121	107	228	244	267	281
Third-party products	38.8	35.0	73.8	39.2	27.4	66.6	27.6	23.0	50.6	50.0	43.0	43.0
Eliminations and NRIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	6.8	17.9	24.7	33.9	12.1	46.0	19.4	6.3	25.7	39.5	44.0	47.5
Depreciation	-7.6	-6.3	-13.9	-7.6	-6.3	-13.9	-5.8	-5.8	-11.6	-11.6	-11.5	-11.5
EBIT (excl. NRI)	4.2	17.3	21.5	26.5	6.2	32.7	15.5	0.5	16.0	27.9	32.4	36.0
EBIT	-0.8	11.6	10.8	26.3	5.8	32.1	13.6	0.5	14.1	27.9	32.4	36.0
Group's own products	4.3	19.1	23.4	22.1	7.5	29.5	14.3	2.4	16.7	25.4	30.3	33.9
Third-party products	-0.1	-1.8	-1.9	4.5	-1.3	3.2	1.2	-1.8	-0.6	2.5	2.2	2.2
Eliminations and NRIs	-5.0	-5.7	-10.7	-0.2	-0.4	-0.6	-1.9	0.0	-1.9	0.0	0.0	0.0
Net financial items	-1.9	-2.3	-4.2	-1.4	-2.7	-4.1	-1.1	-1.5	-2.6	-2.9	-3.3	-2.9
PTP	-2.7	9.3	6.6	24.9	3.1	28.0	12.5	-1.0	11.5	25.0	29.1	33.1
Taxes	-1.1	-2.1	-3.2	-6.9	-1.4	-8.3	-3.9	0.3	-3.6	-7.0	-7.3	-8.3
Minority interest	-0.4	-0.5	-0.9	-1.1	-0.5	-1.6	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	-4.9	6.1	1.2	16.3	0.8	17.0	8.7	-0.7	7.9	18.0	21.8	24.9
EPS (adj.)	0.00	0.30	0.31	0.43	0.03	0.46	0.27	-0.02	0.25	0.47	0.57	0.64
EPS (rep.)	-0.13	0.16	0.03	0.42	0.02	0.44	0.22	-0.02	0.21	0.47	0.57	0.64
Key figures	H1'20	H2'20	2020	H1'21	H2'21	2021	H1'22	H2'22e	2022e	2023e	2024e	2025e
Revenue growth-%			-5.1 %	36.4 %	-6.7 %	12.6 %	-7.1 %	-3.3 %	-5.4 %	5.6 %	5.3 %	4.5 %
Adjusted EBIT growth-%	-65.1 %	194 %	20.1 %	531.0 %	-64 %	52.0 %	-41.5 %	-91.6 %	-51.0 %	74.4 %	16.1 %	11.0 %
EBITDA-%	5.8 %	12.4 %	9.5 %	21.2 %	9.0 %	15.6 %	13.1 %	4.9 %	9.2 %	13.4 %	14.2 %	14.7 %
Adjusted EBIT-%	3.6 %	12.0 %	8.2 %	16.6 %	4.6 %	11.1 %	10.4 %	0.4 %	5.8 %	9.5 %	10.5 %	11.1 %
Net earnings-%	-4.2 %	4.2 %	0.5 %	10.2 %	0.6 %	5.8 %	5.8 %	-0.5 %	2.9 %	6.1 %	7.0 %	7.7 %

Source: Inderes

Balance sheet

Assets	2020	2021	2022e	2023e	2024e
Non-current assets	123	138	135	134	133
Goodwill	49.1	49.1	49.1	49.1	49.1
Intangible assets	22.1	31.7	31.0	30.3	29.7
Tangible assets	33.0	35.1	35.1	35.1	35.1
Associated companies	11.7	14.5	11.7	11.7	11.7
Other investments	7.2	7.6	7.6	7.6	7.6
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	0.0	0.0	0.0	0.0	0.0
Current assets	150	178	189	177	180
Inventories	68.8	86.2	103	85.3	83.6
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	53.0	63.5	60.1	63.5	66.8
Cash and equivalents	27.9	27.8	26.3	27.8	29.3
Balance sheet total	273	316	324	310	313

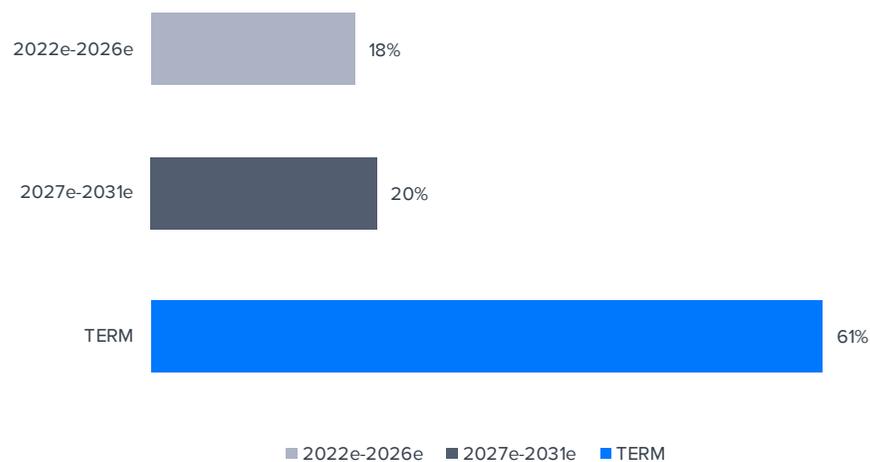
Source: Inderes

Liabilities & equity	2020	2021	2022e	2023e	2024e
Equity	143	139	141	156	170
Share capital	3.6	3.6	3.6	3.6	3.6
Retained earnings	109	136	138	152	166
Hybrid bonds	25.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	0.0	0.0	0.0	0.0	0.0
Minorities	5.2	0.0	0.0	0.0	0.0
Non-current liabilities	69.2	70.0	76.5	66.7	58.8
Deferred tax liabilities	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0
Long term debt	60.7	59.2	63.0	53.2	45.3
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	8.5	10.8	13.5	13.5	13.5
Current liabilities	60.6	106	106	88.1	84.4
Short term debt	19.6	46.7	49.7	42.0	35.8
Payables	41.0	59.5	56.3	46.2	48.6
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	273	316	324	310	313

DCF calculation

DCF model	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TERM
EBIT (operating profit)	32.1	14.1	27.9	32.4	36.0	40.4	41.6	42.4	43.3	44.2	45.0	
+ Depreciation	13.9	11.6	11.6	11.5	11.5	11.5	11.4	11.4	11.4	11.4	11.4	
- Paid taxes	-8.3	-3.6	-7.0	-7.3	-8.3	-9.5	-9.9	-10.2	-10.5	-10.8	-11.1	
- Tax, financial expenses	-1.3	-0.9	-0.9	-0.9	-0.8	-0.7	-0.6	-0.5	-0.4	-0.3	-0.2	
+ Tax, financial income	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	
- Change in working capital	-9.4	-16.6	4.2	0.8	-4.6	-4.3	-3.3	-2.3	-2.3	-2.4	-2.4	
Operating cash flow	27.1	4.7	35.9	36.6	33.9	37.5	39.3	41.0	41.5	42.1	42.7	
+ Change in other long-term liabilities	2.3	2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-26.0	-10.9	-10.9	-10.9	-10.9	-10.9	-10.9	-11.1	-11.1	-11.1	-13.0	
Free operating cash flow	3.4	-3.5	25.0	25.7	23.0	26.6	28.4	29.9	30.4	31.0	29.8	
+/- Other	-1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	2.3	-3.5	25.0	25.7	23.0	26.6	28.4	29.9	30.4	31.0	29.8	520
Discounted FCFF		-3.4	22.4	21.4	17.8	19.0	18.8	18.4	17.3	16.4	14.6	255
Sum of FCFF present value		418	421	399	377	359	340	322	303	286	269	255
Enterprise value DCF		418										
- Interesting bearing debt		-105.9										
+ Cash and cash equivalents		27.8										
-Minorities		0.0										
-Dividend/capital return		-5.8										
Equity value DCF		334										
Equity value DCF per share		8.6										

Cash flow distribution



Wacc

Tax-% (WACC)	30.0 %
Target debt ratio (D/(D+E))	25.0 %
Cost of debt	5.0 %
Equity Beta	1.10
Market risk premium	4.80%
Liquidity premium	2.00%
Risk free interest rate	2.0 %
Cost of equity	9.3 %
Weighted average cost of capital (WACC)	7.8 %

Source: Inderes

Summary

Income statement	2019	2020	2021	2022e	2023e	Per share data	2019	2020	2021	2022e	2023e
Revenue	275.4	261.3	294.3	278.5	294.2	EPS (reported)	0.09	0.03	0.44	0.21	0.47
EBITDA	26.0	24.7	46.0	25.7	39.5	EPS (adj.)	0.21	0.31	0.46	0.25	0.47
EBIT	13.4	10.8	32.1	14.1	27.9	OCF / share	0.69	1.39	0.70	0.12	0.93
PTP	9.8	6.6	28.0	11.5	25.0	FCF / share	0.24	1.32	0.06	-0.09	0.65
Net Income	3.6	1.2	17.0	7.9	18.0	Book value / share	3.84	3.57	3.61	3.66	4.03
Extraordinary items	-4.5	-10.7	-0.6	-1.9	0.0	Dividend / share	0.00	0.00	0.15	0.10	0.20
Balance sheet	2019	2020	2021	2022e	2023e	Growth and profitability	2019	2020	2021	2022e	2023e
Balance sheet total	289.4	272.8	315.5	324.0	310.4	Revenue growth-%	5%	-5%	13%	-5%	6%
Equity capital	151.5	143.0	139.3	141.5	155.6	EBITDA growth-%	16%	-5%	86%	-44%	54%
Goodwill	49.1	49.1	49.1	49.1	49.1	EBIT (adj.) growth-%	7%	20%	52%	-51%	74%
Nettovelat	107.4	77.4	78.1	86.4	67.4	EPS (adj.) growth-%	21%	46%	48%	-44%	83%
Cash flow	2019	2020	2021	2022e	2023e	EBITDA-%	9.4 %	9.5 %	15.6 %	9.2 %	13.4 %
EBITDA	26.0	24.7	46.0	25.7	39.5	EBIT (adj.)-%	6.5 %	8.2 %	11.1 %	5.8 %	9.5 %
Change in working capital	6.1	28.9	-9.4	-16.6	4.2	EBIT-%	4.9 %	4.1 %	10.9 %	5.1 %	9.5 %
Operating cash flow	26.4	53.7	27.1	4.7	35.9	ROE-%	2.5 %	0.8 %	12.3 %	5.7 %	12.1 %
CAPEX	-32.3	-1.6	-26.0	-10.9	-10.9	ROI-%	5.7 %	4.7 %	13.8 %	5.7 %	11.1 %
Free cash flow	9.3	50.8	2.3	-3.5	25.0	Equity ratio	52.3 %	52.4 %	44.2 %	43.7 %	50.1 %
						Net gearing	54.4 %	36.6 %	56.1 %	61.1 %	43.3 %
Valuation multiples	2019	2020	2021	2022e	2023e						
EV/S	0.8	1.0	1.4	1.1	1.0						
EV/EBITDA (adj.)	8.0	10.2	9.0	12.0	7.3						
EV/EBIT (adj.)	11.6	11.7	12.7	19.3	10.4						
P/E (adj.)	13.1	14.1	19.1	22.6	12.4						
P/B	0.7	1.2	2.4	1.6	1.4						
Dividend-%	0.0 %	0.0 %	1.7 %	1.7 %	3.5 %						

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Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
10-09-18	Accumulate	4.00 €	3.50 €
14-01-19	Accumulate	3.80 €	3.33 €
17-02-19	Reduce	3.30 €	3.21 €
23-04-19	Accumulate	3.30 €	3.05 €
21-07-19	Reduce	3.10 €	3.15 €
09-01-20	Reduce	2.90 €	2.73 €
27-01-20	Accumulate	3.10 €	2.86 €
13-02-20	Accumulate	3.10 €	2.94 €
18-03-20	Reduce	2.30 €	2.38 €
26-05-20	Reduce	2.40 €	2.60 €
10-06-20	Reduce	2.60 €	2.67 €
20-07-20	Reduce	2.60 €	2.80 €
02-10-20	Accumulate	2.80 €	2.60 €
18-11-20	Accumulate	3.80 €	3.44 €
23-11-20	Buy	4.50 €	3.65 €
21-01-21	Accumulate	5.60 €	5.10 €
11-02-21	Accumulate	6.20 €	5.68 €
10-03-21	Accumulate	6.70 €	6.08 €
21-04-21	Accumulate	9.00 €	7.00 €
19-07-21	Accumulate	12.00 €	10.60 €
29-11-21	Accumulate	11.00 €	9.00 €
14-02-22	Buy	8.50 €	7.14 €
12-04-22	Accumulate	8.00 €	7.30 €
02-05-22	Accumulate	7.00 €	6.14 €
18-07-22	Accumulate	6.50 €	5.77 €



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